

BILL ANALYSIS

Senate Research Center
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H.B. 16
By: Hernandez et al. (Hancock)
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Nearly all residential and small commercial customers in the Electric Reliability Council of Texas (ERCOT) power region where customers choose their retail electric provider (REP) choose a fixed-rate plan or a variable-rate plan that allows them to tailor the plan to known usage patterns.

But certain retailers have begun to offer a wholesale indexed plan that passes along 100 percent of energy cost to consumers—including scarcity prices of up to \$9,000 per megawatt.

During the February winter storm in Texas, customers on this type of plan experienced extreme electric rate spikes, leaving retail customers with bills of thousands of dollars of charges.

That type of plan simply attributes too much risk to expect average consumers to manage. H.B. 16 would prohibit retail electric providers from offering this type of product to residential and small-commercial customers.

H.B. 16 amends current law relating to the sale of wholesale indexed products by retail electric providers.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Public Utility Commission of Texas in SECTION 2 of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter C, Chapter 39, Utilities Code, by adding Section 39.110, as follows:

Sec. 39.110. WHOLESALE INDEXED PRODUCTS PROHIBITED. (a) Defines "wholesale indexed product" to mean a retail electric product in which the price a customer pays for electricity includes a direct pass-through of real-time settlement point prices determined by the independent organization certified under Section 39.151 (Essential Organizations) for the ERCOT power region.

(b) Prohibits a retail electric provider from offering a wholesale indexed product to a residential customer.

SECTION 2. Requires the Public Utility Commission of Texas, not later than December 1, 2021, to adopt any rules necessary to enforce Section 39.110, Utilities Code, as added by this Act.

SECTION 3. Effective date: upon passage or September 1, 2021.